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**MILITARIZATION OF ENERGY: TURKEY AS A CASE  
STUDY**

by

Ali Osman Seker

June 2010

Thesis Advisor:  
Second Reader:

James Russell  
Abbas Kadhim

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**MILITARIZATION OF ENERGY SECURITY: TURKEY AS A CASE STUDY**

Ali Osman Seker  
First Lieutenant, Turkish Air Force  
B.A., Air Force Academy, 2004

Submitted in partial fulfillment of the  
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June 2010**

Author: Ali Osman Seker

Approved by: James Russell  
Thesis Advisor

Abbas Kadhim  
Second Reader

Harold A. Trinkunas, PhD  
Chairman, Department of National Security Affairs

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## **ABSTRACT**

The United States of America, Great Britain, France, Germany, India, Russian Federation, Turkey, and China have all implemented policies to obtain reliable energy at reasonable prices. Overall, the purpose of this thesis is to identify the situations in which Turkey has encountered usage of energy as a “weapon” and to analyze Turkey’s reaction in these situations from 1945 until the present day. This thesis will then seek to predict the effects of energy issues on Turkey’s national security strategy. The thesis finds that Turkey passed through a preparation phase during the 1960s and 1980s to balance her approach to both buyers and sellers. This period paved the way for the 1990s, when Turkey developed prospects for future energy supplies. Three general lessons emerge from an examination of Turkey’s experience: (1) Turkey managed to balance her energy market by pursuing successful compromise policies, (2) domestic needs, rather than transit fees and international concerns, have an essential role in forming these policies, and (3) even though tanker wars harm Turkey’s naval transportation, they are beneficial for Turkey’s land transportation as the only outlet for both of her neighbor producer countries.

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## **DISCLAIMER**

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

Bcf	Billion cubic feet
Bcm	Billion cubic meters
BTC	Baku-Ceyhan pipeline
DECA	Defense economic cooperation agreement between United States and Turkey
EU	European Union
GCC	Gulf Cooperation Council
IEA	International Energy Agency
ME	Middle East
Mt	Million tonnes
NATO	North Atlantic Treaty Organization
OIC	Organization of Islamic Conference
OPEC	Oil Petroleum Exporting Countries
PfP	Partnership for Peace program
Tcf	Trillion cubic feet
UN	United Nations

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# I. INTRODUCTION

## A. MAJOR RESEARCH QUESTION

This thesis addresses energy security in the Middle East (ME) region. It specifically analyzes European Turkey's energy outlook in the 21st century through the lens of the "militarization of energy security"<sup>1</sup> hypothesis. Some scholars believe that conflicts between developed countries over energy supplies could re-emerge as a source of global instability. The major focus of this thesis is how to achieve a compromise between Turkey's interests and the conditions under which energy could be used for political leverage. These conditions include energy disputes between Turkey and her neighbors, and conflicts in the ME. While Turkey did not participate in the Iran-Iraq war of 1980–1988, Turkey was faced with Russia-Georgia War in 2008 and several prior gas disputes with Iran. Overall, the purpose of this thesis is to identify the situations in which Turkey has encountered the usage of energy as a "weapon"<sup>2</sup> and to analyze Turkey's reaction in these situations from 1945 until the present day. This thesis will then seek to predict the effects of energy issues on Turkey's national security strategy.

What possible energy security challenges and opportunities might Turkey encounter in the 21st century warfare within its territory? Is there any historical evidence that Turkey has been involved in situations where energy has been used as a political tool? To answer the major research question, a historical case study of Turkey and her relations with her neighbors since 1945 will be conducted to determine to what extent energy concerns and security were the

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<sup>1</sup> James A. Russell and Daniel Moran, eds., *Energy Security and Global Politics: The Militarization of Resource Management* (Routledge: Global Security Studies Taylor & Francis, 2008).

<sup>2</sup> Gal Luft and Anne Korin, "Fueled Again? In search of Energy Security," in *Blindside*, ed. Francis Fukuyama (Washington, D.C.: Brookings Institution Press, 2007), 74.

primary factor for her attitudes, and how the militarization of energy resources affects Turkey's participation in and attitude towards regional conflicts.

## **B. IMPORTANCE**

This paper does not seek to answer what the importance of Turkey is for the European Union (EU) and U.S. from the perspective of energy security. Instead, this paper argues that the nature of warfare has changed, especially after the Cold War, and the future wars could be based on "militarization of energy resources."<sup>3</sup> Using Turkey as a case study, this paper examines its energy policies and experiences from 1945 to 2009 in an attempt to ascertain to what extent energy concerns determined Turkey's involvement in interstate disputes and conflicts.

Since an understanding of a country's past behavior may help better predict its future acts, this topic is of great relevance to international affairs. Prior research on Turkey's foreign policy and energy security attempts to answer how and why Turkey behaves the way it does in the conflicts in the ME.<sup>4</sup> This study will fill a gap in the previous research by analyzing Turkey's history in order to determine whether the militarization of energy resources has served to influence Turkey's participation in and attitude towards regional conflicts.

The Turkish Parliament's decision not to participate in the 2003 invasion of Iraq by U.S.-led coalition forces provides an excellent example of energy concerns influencing national security. Although Turkey transports Iraqi oil via the

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<sup>3</sup> James A. Russell and Daniel Moran, ed., *Energy Security and Global Politics: The Militarization of Resource Management*, ed. James A. Russell and Daniel Moran (Routledge: Taylor & Francis, 2008), <http://lib.mylibrary.com/Browse/open.asp?ID=170695&loc=cover> (4 December 2009). .

<sup>4</sup> Nursin Atesoglu Guney, ed., *Contentious Issues of Security and the Future of Turkey* (Ashgate Publishing Limited, 2007).

Kirkuk-Ceyhan pipeline,<sup>5</sup> twenty days after the Turkish Parliament's decision not to allow the basing of coalition forces on Turkish soil, it authorized the use of Turkish air space by the U.S. and coalition air forces.

### **C. THESIS AND MAIN ARGUMENTS**

Related to the major question of whether there is any historical evidence that Turkey has been involved in situations where energy has been used as a political tool, this paper seeks to answer the question of what challenges, seven years after the invasion of Iraq by U.S.-led coalition forces, might Turkey encounter in the ME, especially related to Syria, Iraq and Iran in this new era. Considering these challenges, how should Turkey craft its ME policy? What measures should be taken? Correspondingly, after the Cold War era what are the threats to Turkey's region? How will the transformation of the North Atlantic Treaty Organization (NATO) affect her region? Regarding Turkey's decision-making processes and national security policy, which benchmarks or factors should be established to determine threat assessments?

Although this paper seeks to explore Turkey's energy policies from 1945 to the present, research shows that there are two distinct periods related to Turkey's treatment of energy security. The first phase is the non-conflict zone or preparation phase, from the 1960s to the 1980s, and the second phase is energy disputes in the post-Cold War era. During the exploration phase, it is appropriate to narrow the focus from over fifty years to a significant period of time. This paper starts with the historical background of the ME region from the energy perspective and preconditions for both Turkey and her neighbors during the 1940s and the 1990s. Understanding the historical context is important and establishes a context for what follows. The chronology also includes regional

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<sup>5</sup> First, the Turkish parliament, on March 1, 2003, rejected a bill authorizing the basing of U.S. troops in Turkey. But several weeks later, Turkey's parliament approved a resolution authorizing U.S. warplanes to fly through Turkish airspace in the military campaign to overthrow Saddam Hussein. Voice of America News, "Turkish Parliament Authorizes Use of Air Space by U.S. in Iraq War-2003-03-20," VOA NEWS, <http://www1.voanews.com/english/news/a-13-a-2003-03-20-30-Turkish-67303532.html>.

events before the 1960s for a better understanding of the fundamental basis by which Turkey's attitude has been shaped. This paper continues with the establishment of the Organization of Islamic Conference (OIC), while it is obvious that the oil price shock in 1973 initiated the International Energy Agency (IEA), which became the counterpart of the OIC. While analyzing the occurrence of two blocks of the energy market, this paper explains that Turkey has pursued a successful foreign policy to balance these two institutions, while remaining a member of both of them. The paper details Turkey's economic conditions during the oil price crisis in the 1970s, and shows that "the rights of buyers and sellers in the energy marketplace become explicit objects or tools of strategic coercion, either by governments or by others who may be able to seize control of them."<sup>6</sup> This paper ends with the tanker wars between Iran and Iraq from 1980 to 1988. Turkey did not participate in this conflict, even though its naval assets for energy were lost during the conflict.

The answer to the major research question, "Is there any historical evidence that Turkey has been involved in situations where energy has been used as a political tool?" is that the Cold War era can be characterized as a preparation phase for future energy usage as a weapon. The findings in this thesis suggest that Turkey's treatment of energy issues emerge in its participation in the OIC and the IEA, the 1970s oil price crisis with Turkey's debt crisis and relations with the Organization of Petroleum Exporting Countries (OPEC), and lastly, the tanker wars during the Iran-Iraq War (1980–88). This paper fills a gap in the previous research by analyzing Turkey's history in an attempt to determine whether the militarization of energy resources has served to influence Turkey's attitudes towards regional energy conflicts.<sup>7</sup> (Table 1–2)

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<sup>6</sup> James A. Russell and Daniel Moran, eds., *Energy Security and Global Politics: The Militarization of Resource Management*. (Routledge Global Security Studies: Taylor & Francis, 2008), <http://lib.mylibrary.com/Browse/open.asp?ID=170695&loc=cover> (December 4, 2009).

<sup>7</sup> Throughout this paper, the term "energy conflicts" refers to any kind of energy (petroleum and natural gas) debates, oil price crises, and debates over energy agreements.

		Preparation Phase / non- conflict zone	Second Phase / Conflict Zone
Time period 1960-90	Membership to IEA	+	
	Membership to OIC	+	
	Energy agreement with Libya	+	
	Iran-Iraq War	+ (transition) <sup>8</sup>	
Time period (1990-present)	Turkey-Russia natural gas price debate		+
	Turkey-Iran natural gas price debate		+
	Iraq's invasion of Kuwait		+
	Gulf War		+
	Second Gulf War		+
	U.S. led coalition invasion of Iraq		+

Table 1. Middle East regional events related to energy debates (centered on Turkey)

Turkey managed to balance two sides of the energy market (OPEC as a seller and IEA as a buyer) to reach the goal of a reliable energy hub for both sides.

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<sup>8</sup> Although Turkey's transportation vessels were sunk during this war, it is classified within the preparation phase because there was no engagement with its neighbor states and the trend of energy ties was increasing during this long war (eight years).

Categories [TYPE see p.14]	Establishment of OIC	Establishment of IEA	1973 Oil price shock	1980- 84 Iran- Iraq War	1984- 88 Iran- Iraq War	Debates about Antarctic region	Suez canal crisis
TYPE A	-	-	-	-	-	-	-
TYPE B	-	-	-	+	+	-	-
TYPE C	-	-	-	-	-	+	-
TYPE D	-	-	-	-	+	-	-
TYPE E	-	-	-	-	-	-	+
TYPE F	+	+	+	-	-	-	-
TYPE G	-	-	+	+	+	-	+

Table 2. Regional energy issues and categorizations of militarization of energy

#### D. METHODOLOGY AND SOURCES

This thesis provides a historical analysis of Turkey as a case study. First, this thesis defines the concept of the militarization of energy security and how the concept is related to Turkey's circumstances. Second, this thesis explores how Turkey acted under these circumstances and how these behaviors affected Turkey's energy and foreign policy. Finally, this thesis determines the effects of these decisions by comparing them with the events after the 1990s.

To assess Turkey's behaviors during these energy debates, the author utilized numerous resources. James Russell's and Daniel Moran's book *Energy Security and Global Politics: The Militarization of Resource Management* initiated the idea as a missing chapter for the book and the research question was chosen from Turkish Air Force orders on *Research Subjects and Themes for Master of Art Degree*. These works provide insightful general comments for future prospects in the ME, while this study will help develop future studies and solutions to assist decision makers during different energy debates.

## **E. ORGANIZATION**

The introduction details the major research question, the methodology and the main arguments, and introduces the reader to the energy issues. The first part will examine the concept of militarization of energy assets and identifies Turkey's role in those conflicts to determine the environmental conditions by looking at chronology. The second part discusses two historical case studies on Turkey's energy outlook, while the last chapter provides a war in Turkey's area to explain how Turkey behaves in these cases.

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## **II. DEFINITIONS AND CHRONOLOGY**

This chapter is organized in two parts: (1) the definition of the concept of the militarization of energy security; and (2) chronology of the events around Turkey from the establishment to present. The first section provides the terminology and issues on energy security within the literature and continues with Turkey's role in it, grouping the events centered on Turkey. The second section consists of an historic chronology that provides the context for a better understanding of Turkey as an energy security case study.

### **A. MILITARIZATION OF ENERGY SECURITY DEFINITIONS AND TERMS**

Conventional wisdom holds that the oil weapon used against the United States and its allies in the 1970s is obsolete . . . In October 2002, member countries of the Organization of the Islamic Conference considered an oil embargo as a way to stop the United States from attacking Iraq.<sup>9</sup>

As an organized thesis, academic and policy literature related to the militarization of energy security and its effects on Turkey's relations with its neighbors as a member of Europe and NATO must first be settled. Although a significant body of research emphasizes Turkey's pursuit of energy security, this thesis will mainly examine the concept of energy as a weapon. The changing nature of NATO alliances and its impact on Turkey's geostrategic position are also examined. Furthermore, as interconnected with Europe, Turkey's importance in energy issues is investigated. This study then explores Turkey's current energy ties in the ME. Although there are many international or domestic energy routes through other countries, this thesis excludes them and focuses on Turkey's own domestic pipelines.

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<sup>9</sup> Gal Luft and Anne Korin, "Fueled Again? In Search of Energy Security," in *Blindside*, ed. Francis Fukuyama (Washington, D.C.: Brookings Institution Press, 2007).

Literature on the matter of energy security discloses common concepts of energy security and the global market. What is the meaning of energy security? On its Web site of World Energy Outlook 2008, the International Energy Agency (IEA) states that energy security means “access to adequate, affordable and reliable supplies of energy.”<sup>10</sup> While oil is the main subject during the 1970s and 1980s, as a reliable supply for electricity, natural gas is now included in the terminology.<sup>11</sup> This is important because human development and economy are tied to energy. Thus, in this market, any changes in the suppliers or on the demand side have an impact on the other participants. Nobody wants instability or global warfare. Table 3 shows the vulnerability of the market in such an instability event.

Short term	Long term
Disruptions or shortages through (Sabotage, political intervention, strikes, technical failures, accidents or natural disaster)	Under-investment in (crude oil production, refining or transportation capacity, other market failures)

Table 3. Insecurity Conditions for Energy<sup>12</sup>

The essential item for the energy market in the 21st century is not money or land, but resources. British Petroleum’s (BP’s) commonly cited Web site provides the statistical data of the world’s trade, including major fossil fuels, and this indicates that security now extends through overdependence on both oil and natural gas (Figures 1–2). The solution to overcome the insecurity conditions (Table 3) based on weaknesses of the market is:

<sup>10</sup> International Energy Agency, “World Energy Outlook 2008,” OECD/IEA, <http://www.worldenergyoutlook.org/2008.asp>.

<sup>11</sup> International Energy Agency, “World Energy Outlook 2009,” OECD/IEA, <http://www.worldenergyoutlook.org/2009.asp>.

<sup>12</sup> Ibid.

...adequate investment in production, processing, transportation and storage capacity to meet projected needs. More efficient energy use to reduce the risk of demand running ahead of deliverability. More diversity in the fuel mix, geographic sources and types of supply transportation routes and market participants.<sup>13</sup>



Figure 1. Oil Trade Flows in 2008. (million tonnes). (From:<sup>14</sup>)



Figure 2. Natural-gas Trade flows in 2008. (billion cubic meters). (From:<sup>15</sup>)

<sup>13</sup> International Energy Agency, "World Energy Outlook 2009," OECD/IEA, <http://www.worldenergyoutlook.org/2009.asp>.

<sup>14</sup> BP, "BP Statistical Review of World Energy June 2009," BP, <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>.

<sup>15</sup> Ibid.

A valuable reference revealing what challenges states may confront concerning the nature of wars in the 21st century is James Russell and Daniel Moran's *Energy Security and Global Politics: The Militarization of Resource Management*. They argue that conflict among developed states could re-emerge as a global source of instability as a result of conflicts over energy supply.<sup>16</sup> The energy market is vulnerable to war for any reason. It is possible to have violence through energy security. Recently, threats to energy security became a threat to national security, and energy became a weapon to eliminate the opponent's will politically. Thus, militarization of energy security provides:

...issues that may arise if control of energy resources, or the rights of buyers and sellers in the energy marketplace, become explicit objects or tools of strategic coercion, either by governments or by others who may be able to seize control of them. Energy resources may become *casus belli* in themselves; or they may be viewed as alternatives to the use of force by governments, who persuade themselves that wielding the "energy weapon" will somehow obviate or substitute for the use of real ones.<sup>17</sup>

Russell's and Moran's study reveals that oil as a limited resource gets priced in the international market, and states have to trust this market for their energy security. Their study suggests that the free market may regulate high prices due to "peak oil"<sup>18</sup> and countries may adopt themselves to the new environment. They also suggest that the costs of war to control energy resources are much higher than the benefits. The buyers and sellers may tolerate the prices regulated by market. When the price of oil becomes too expensive to use for energy, the market determines the price at a high level so that alternative fuels can be developed. In addition, members of the market may decide to go to war for fossil fuels, not only because of high energy prices, but also because of crises, which provide distrust of the price regulation to the supply/demand

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<sup>16</sup> James A. Russell and Daniel Moran, eds., *Energy Security and Global Politics: The Militarization of Resource Management* (Routledge Global Security Studies: Taylor & Francis, 2008), <http://lib.mylibrary.com/Browse/open.asp?ID=170695&loc=cover> (December 4, 2009).

<sup>17</sup> Ibid., 3.

<sup>18</sup> Ibid.

relation in the market.<sup>19</sup> Another assumption of Russell and Moran is that terrorism is not a systemic threat to energy security. Terrorists attack production refineries, transportation lines and critical points such as Strait of Hormuz.<sup>20</sup> From their point of view, the U.S. interest is protection of “market-based access to energy” to sustain energy stability against terrorism or Chindia.<sup>21</sup> It is the U.S.’s responsibility to defend the market against any pressure. For instance, the Carter doctrine emphasized the use of force to protect the Gulf against Soviet expansion.

Russell and Moran argue that potential causes of future energy-related conflicts include such scenarios as:

- direct seizure of energy assets by military means [TYPE A], -
- destruction of energy assets to deny their use to rivals [TYPE B], -
- military confrontation arising from competitive efforts to exploit new energy resources on the high seas, where legal claims of sovereignty are absent . . . in the Arctic and Antarctic . . . [TYPE C],
- indirect control of energy assets through the creation of puppet states, military protection of, or attacks upon, the energy production and transportation infrastructure, including oil fields, refineries, pipelines, port facilities[TYPE D], -active military control of international straits through which energy assets move [TYPE E], -
- development of exclusive energy trading blocs, reminiscent of the systems of “imperial preference” that existed before 1945 [TYPE F],
- and –conveyance of major military assets to regional energy producers in exchange for preferential market treatment, or with a view to enabling them to impose themselves upon neighboring states [TYPE G].<sup>22</sup>

One of the best examples from their book is of a request for the fortification of great purchaser states. Small consumers are unlikely to use energy as leverage, but they have little to lose, so they may revolt against the

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<sup>19</sup> James A. Russell and Daniel Moran, eds., *Energy Security and Global Politics: The Militarization of Resource Management* (Routledge Global Security Studies: Taylor & Francis, 2008), <http://lib.myilibrary.com/Browse/open.asp?ID=170695&loc=cover> (December 4, 2009).

<sup>20</sup> Ibid., 10.

<sup>21</sup> Ibid., 11.

<sup>22</sup> Ibid., 7.

system by use of force. Additionally, it may be beneficial for the suppliers because of high prices, while providing sustainable demand, or suppliers may go under powerful states' shield.<sup>23</sup>

On the other hand, useful literature about NATO, the EU and Turkey reveals that while the EU, Turkey's energy costumer, emphasizes energy dependency and the requirement of diversification via Turkey, NATO has been participating in aforementioned energy conflicts, and Turkey emerges as an "energy hub" in the ME.

As an alliance, NATO also has energy concerns. Although the EU and U.S. implicitly trust the free market, some suppliers' oil and natural gas are still used for political purposes. At this point, could NATO play an international role to ensure the free flow of energy? In addition to NATO members, ME countries (Bahrain, Qatar, Kuwait, and United Arab Emirates) and Partnership for Peace program (PfP) countries (Kazakhstan and Azerbaijan) support NATO in transforming into global security cooperation to protect their resources.<sup>24</sup> An example is NATO forces' effective engagement for the free flow of energy against recent piracy on the transportation line in the Horn of Africa. Similarly, NATO, as a global player, may employ military measures against destabilizing events such as the close of the Hormuz Straits.<sup>25</sup> Moreover, Turkey (a NATO member), and Kazakhstan and Azerbaijan (members of PfP) have an important role to ensure energy security by diversifying energy supplies through pipelines from the Caspian and Central Asia region "avoiding the Russian energy grid."<sup>26</sup>

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<sup>23</sup> James A. Russell and Daniel Moran, eds., *Energy Security and Global Politics: The Militarization of Resource Management* (Routledge Global Security Studies: Taylor & Francis, 2008), <http://lib.myilibrary.com/Browse/open.asp?ID=170695&loc=cover> (December 4, 2009), 88.

<sup>24</sup> Paul Gallis, "Report RS22409 NATO and Energy Security," Congressional Research Service, <http://wikileaks.org/wiki/CRS-RS22409>.

<sup>25</sup> Eli Lake, "Iran Threatens Strait of Hormuz: Key Oil Shipping Passage Could Be Blocked for a Month," *The New York Sun*, August 5, 2008, News section, <http://www.nysun.com/foreign/iran-threatens-to-shut-strait-of-hormuz/83142/>.

<sup>26</sup> Paul Gallis, "Report RS22409 NATO and Energy Security," Congressional Research Service, <http://wikileaks.org/wiki/CRS-RS22409>.

Furthermore, as NATO's major powers (U.S., France, Great Britain, and Italy) use their solidarity to protect the oil infrastructure in Kuwait against the aforementioned direct seizure of energy assets by the Iraqi military, they ensure the security of Saudi Arabia and other Gulf producers in the Gulf war.<sup>27</sup> Another example of Russell' and Moran's argument is Operation Earnest Will during the Iran-Iraq war of 1980–88. First Iran, then Iraq tried to blockade their opponent's financial gains by attacking civilian oil tankers. Iran also attacked Kuwaiti and Saudi tankers to cut off transportation. As a reaction to this hostility, the Kuwaitis accepted the Soviet Union and U.S. offers to sail their oil tankers under USSR and U.S. flags. However, Iraqi's attacks on an American vessel, the USS Stark, in 1987 initiated a U.S.-led NATO coalition movement against it. France, Great Britain and the Netherlands were important participants. They captured Iranian forces while mining shipping lanes and engaged in firefights with them.

Alternatively, European energy dependency on imported oil and natural gas is too critical and obvious. The EU imports 50 percent of its energy needs, while key supplier Russia provides 40 percent of their gas needs, and 45 percent of their oil comes from the ME. Recently, Russia used oil and gas as a political tool and sought high prices to make high profits, "powerful political and economic lever of influence over the rest of the world,"<sup>28</sup> especially by state-owned Gazprom.<sup>29</sup>

The EU rules are not based on either energy or pipeline routes. Egenhofer argues that the EU's fundamental basis and principles are "community loyalty, non-discrimination as to nationality, principle of conferral, rules not money."<sup>30</sup>

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<sup>27</sup> Paul Gallis, "Report RS22409 NATO and Energy Security," Congressional Research Service, <http://wikileaks.org/wiki/CRS-RS22409>.

<sup>28</sup> Ibid.

<sup>29</sup> Keith Crane, Andreas Goldthau, Michael Toman, Thomas Light, Stuart E. Johnson, Alireza Nader, Angel Rabasa, and Harun Dogo, *Imported Oil and U.S. National Security: Oil as a Foreign Policy Instrument* (RAND, 2009), 25–41.

<sup>30</sup> Christian Egenhofer, Sebastian Kurpas, and Louise van Schaik, *The Ever-Changing Union an Introduction to the History, Institutions and Decision-Making Processes of the European Union* (Brussels: CEPS, 2009), <http://www.ceps.eu/node/1613> (accessed November 20, 2009).

Specifically, energy security is not among the EU's goals. However, Egenhofer assumes that dependence on energy is a major concern for the EU since it holds 43 percent of the EU's total budget in 2008.<sup>31</sup> Egenhofer also emphasizes the reality of energy bargaining due to political leverage. Research on gas disputes between the Russian Federation and the Ukraine in 2006 and 2009 are clues that the "status quo is defective and unsustainable as a policy."<sup>32</sup> This "intolerable situation"<sup>33</sup> has effects on the shifts in the U.S.-EU-Russian Federation geopolitical triangle because of dependency and high energy prices.<sup>34</sup>

The crisis resulted in construction of new pipelines which are Nord Stream and South Stream, bypassing Ukraine. In fact, Russia seems unhappy with "the existing architecture of the International Security" and its purpose is to become "an important shaper of it."<sup>35</sup> Charap argues that "gas war" creates "incentives for the Russians to work with Western partners" and his suggestion is a requirement of reforms in "U.S.-Russia energy dialogue and energy efficiency and alternatives to the agenda."<sup>36</sup> This confirms Turkey's strategic importance as an alternative such as the Baku-Tbilisi-Ceyhan pipeline.

Research on Turkey as an energy hub suggests that Turkey is a transit country geographically, and Turkey's energy diplomacy may open the gate to EU

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<sup>31</sup> Christian Egenhofer et al., *The Ever-Changing Union an Introduction to the History, Institutions and Decision-Making Processes of the European Union* (Brussels: CEPS, 2009), <http://www.ceps.eu/node/1613> (accessed November 20, 2009).

<sup>32</sup> Elena Gnedina and Michael Emerson, *The Case for a Gas Transit Consortium in Ukraine: A Cost-Benefit Analysis* (CEPS Policy Briefs, 2009), [www.ceeol.com](http://www.ceeol.com).

<sup>33</sup> Ibid., 9.

<sup>34</sup> Jeffrey Mankoff, *Eurasian Energy Security* (Council Special Report 43, 2009), [http://cfr.org/content/publications/attachments/Eurasia\\_CSR43.pdf](http://cfr.org/content/publications/attachments/Eurasia_CSR43.pdf).

<sup>35</sup> Christian Egenhofer et al., *The Ever-Changing Union-An Introduction to the History, Institutions and Decision-Making Processes of the European Union* (Brussels: CEPS, 2009), <http://www.ceps.eu/node/1613> (accessed Nov 20, 2009).

<sup>36</sup> Samuel Charap and Andrew C. Kuchins, *Economic Whiplash in Russia*, (CSIS, February 2009), <http://au.af.mil/au/aul/bibs/russia09.html>.

membership.<sup>37</sup> Turkey functions as an energy bridge with natural gas and oil pipelines formed in two directions<sup>38</sup>: North-South corridor and East-West Corridor. (Figure 3–4) The East-West corridor provides the Baku-Tbilisi-Ceyhan Crude Oil Pipeline (BTC), Kirkuk-Ceyhan Oil Pipeline, South Caucasus (Shah Deniz) Natural-gas Pipeline (SCP) or Baku-Tbilisi-Erzurum Pipeline (BTE), Turkey-Greece-Italy Natural-gas Pipeline, Nabucco Natural-gas pipeline, Trans-Caspian Oil and Gas pipeline projects, and Iran-Turkey Natural-gas pipeline.<sup>39</sup> North-South Corridor includes Egypt-Turkey Natural-gas pipeline, Samsun-Ceyhan bypass Oil Pipeline (proposed), Blue-Stream Gas Pipeline.<sup>40</sup> The close alliances between U.S. and Turkey created BTC. This is important because BTC<sup>41</sup> is the only route bypassing Turkey's straits and the Russian Federation. On the other hand, the U.S. invasion of Iraq created an instability for the Kirkuk-Ceyhan twin pipeline<sup>42</sup> and on Web in a comment posted to the OGJ Oil Diplomacy Blog on November 25, 2009, Eric Watkins noted that this pipeline has still encountered sabotage, while it is the only alternative route for Hormuz Straits. (Figure 5) SCP (9.9 Tcf/year capacity) brings Azeri gas via Georgia, but the recent Russia-Georgia conflict affected the energy flow. Blue Stream (565 Bcf/year capacity) carries gas from Russia via the Black Sea, but under its capacity because of price disputes. However, Turkey and Russia have a discussion on an extension of pipelines to Israel via the Mediterranean Sea. The construction of BTE began in 2003 and finished in 2006; there was a delay in

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<sup>37</sup> Some examples include: Aysegul Tabak, "The EU Energy Security Considerations and Turkey's Possible Membership" (MA thesis, Bilkent University, 2009), <http://tez2.yok.gov.tr/>; Huseyin Seslikaya, "Energy Security and Turkey" (MA thesis, Naval Postgraduate School, 2008); Erkan Arslan, "Defense Implications of a Nuclear Iran for Turkey" (MA thesis, Naval Postgraduate School, 2007).

<sup>38</sup> Ibid, 32.

<sup>39</sup> Ibid, 79–84

<sup>40</sup> Ibid, 85–88.

<sup>41</sup> BTC is 1,770 kilometers and has a capacity of 1 million bbl/d.

<sup>42</sup> The capacity of the pipeline is 1.65 million bbl/d and it is the shortest and only open way to reach the Mediterranean.

exportation until 2007. Furthermore, supply from Iran has been disrupted due to debates on Iranian increased-domestic consumption in the past.<sup>43</sup>

Commonly cited data of the Energy Information Administration and Oil & Gas Journal examines Turkey's energy outlook. Turkey's total energy consumption (as of 2006) was: oil 35 percent, natural gas 29 percent, coal 25 percent, and hydroelectric 11 percent. Turkey's proven oil reserves of 300 million barrels are located mostly in the southeast region. Turkey has natural gas reserves estimated at 300 billion cubic feet (Bcf). Although the domestic production level is at 45 thousand billions barrel per day (bbl/d), consumption is around 700 thousand bbl/d. Similarly, Turkey's gas production is at 32 Bcf, well below the 1.1 trillion cubic feet (Tcf) of domestic consumption. Russia is the leading oil supplier, followed by Iran and Saudi Arabia. The state-owned firm, Turkish Petroleum State Company (TPAO), has a 70 percent share of the total oil production of the country. Turkey's largest gas field is offshore in the Marmara Sea and is operated by three firms: TPAO, BP, and Shell. The biggest gas supplier is Russia (Gazprom), followed by Iran, Azerbaijan, Algeria, and Nigeria. Tankers deliver oil to Turkey through the port at Istanbul and Ceyhan terminal on the Mediterranean coast. The Energy Markets Regulatory Authority (EMRA) regulates the gas sector and the dominant shareholder is also a state-owned company, BOTAS. Though 78 percent of the gas market is open to the competition, BOTAS currently has a monopoly over interior delivery. As a result, Turkey is a net oil and natural gas importer.<sup>44</sup>

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<sup>43</sup> The capacity of the Iran-Turkey pipeline is 494 Bcf/year.

<sup>44</sup> Energy Information Administration, "Official Energy Statistics from the U.S. Government: Country Analysis Briefs Turkey," Energy Information Administration, <http://www.eia.doe.gov/emeu/cabs/Turkey/Background.html>.



Figure 3. Turkey's Oil Pipelines<sup>45</sup>



Figure 4. Turkey's Gas Pipelines<sup>46</sup>

<sup>45</sup> Daniel Fink, "Research Notes #11: Assessing Turkey's Future as an Energy Transit Country," The Washington Institute for Near East Policy, no.11 (2006), <http://www.washingtoninstitute.org/templateC04.php?CID=245>.

<sup>46</sup> Ibid.

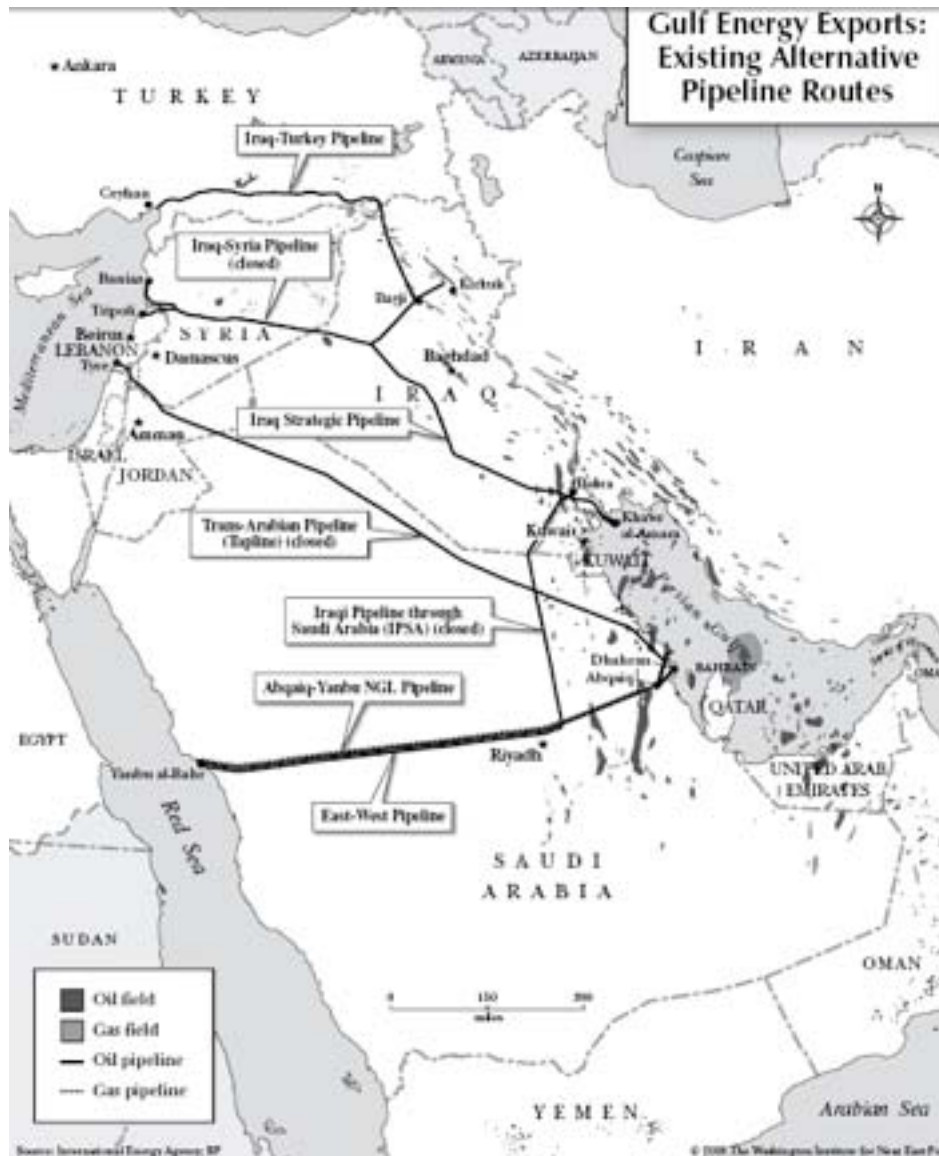


Figure 5. Pipelines in the Gulf<sup>47</sup>

## B. REGIONAL CHRONOLOGY

Regional history suggests an intense period of energy exploration and development during the first half of the 20th century. During that time, Turkey united with the U.S. under the Truman Doctrine and joined NATO. While Turkey's

<sup>47</sup> Simon Henderson, "Policy Focus #83: Energy in Danger: Iran, Oil, and the West," The Washington Institute for Near East Policy (2008), <http://www.washingtoninstitute.org/templateC04.php?CID=291>.

neighbors were instable (for example, the Suez Canal Crisis in 1956), Turkey participated in a second alliance, the Baghdad Pact, binding with Iraq and Britain (1955). A major event for energy security occurred in 1960 with the foundation of OPEC. Two wars (the Six Day War and the Yom Kippur War) come forward as a precondition for OPEC's oil embargo in 1973. The most important event for Turkey's energy outlook was the 1980s Iran-Iraq War. Chapter 3 focuses on this issue. Regional instability affected Turkey's neighbors and energy transit routes (Figure 4–5). <sup>48</sup>

Another finding is that Turkey's internal affairs and her alliance with the U.S. exerted strong influences on its policies. One example is that during World War II, Turkey managed to sustain her neutrality and this continued, emerging "as a key actor in the early years of the Cold War." The Truman Doctrine became a turning point in this regard for "U.S. commitment to bolster the 'northern tier' of Greece, Turkey, Iran, and Afghanistan as a bar to Soviet adventurism in the Middle East."<sup>49</sup> On Turkey's side, a bilateral military aid agreement during the 1950s strengthened its regional posture. As a result, the close relations with the U.S. during that period had a direct effect on Turkey's energy posture.

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<sup>48</sup> Francisco Parra, *Oil Politics: A Modern History of Petroleum* (New York: I.B. Tauris, 2010).

<sup>49</sup> Ian O. Lesser, *Bridge or Barrier? Turkey and the West after the Cold War* (RAND, 1992), 32–33.

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### III. GOOD RELATIONS WITH OPEC AND IEA MEMBERSHIP AND THEIR EFFECTS

#### A. INTRODUCTION

The important issue for Turkey is where and how her energy supplies will be obtained: these choices are fraught with complications, liabilities, and hazards. Such considerations have become more important as an aspect of Turkey's foreign policy... because Ankara does not want to be overly dependent on any one source.<sup>50</sup>

Turkey, as a net energy importing country and an energy hub for the regional energy market, has recently experienced the aforementioned militarization of energy resources. These energy debates raise the question, "Are these debates new to Turkish foreign policy or has Turkey experienced the usage of energy as a weapon in her past history?" Research suggests that Turkey has passed through a preparation phase, which included Eastern ties by OIC-membership and good relations with OPEC, while at the same time binding with the West through IEA-membership until the 1980s to avoid becoming a target to disadvantageous external pressure. Energy security, however, placed top of the foreign policy agenda with the 1973 oil price shock and during the 1980-88 Iran-Iraq War. These three historical energy issues are important as a basis to understand Turkey's energy security outlook. During the 1990s, a series complex energy deals aimed at are toward diversification of energy needs based suggests that Turkey learned much from these historical lessons.<sup>51</sup>

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<sup>50</sup> Brent Sasley, "Turkey's Energy Politics," in *Turkey in World Politics: an Emerging Multiregional Power*, ed. Barry Rubin and Kemal Kirişçi (London: Lynne Rienner Publishers, 2001), 217.

<sup>51</sup> Such moves can be shortly expressed here: as in 1996 after a deal with Iran to purchase \$23 billion worth of gas, Iran became the top second supplier, while Blue-stream pipeline agreement with Russian firm, Gazprom, and Italian firm, ENI in 1999, although opening of BTC pipeline which carries Azerbaijan oil via Georgia will cut other's interests (political and economic leverage and transfer remittances) in the region. 13. Brent Sasley, "Turkey's Energy Politics," in *Turkey in World Politics: an Emerging Multiregional Power*, ed. Barry Rubin and Kemal Kirişçi (London: Lynne Rienner Publishers, 2001), 220–222.

This chapter asserts that Turkey managed to balance her energy market until the 1980s by pursuing successful policies (decisions to construct relationships with consumers and suppliers) mainly because of her domestic energy needs rather than international concerns.

This section demonstrates how internal conditions forced Turkey to establish energy relations with both oil exporting countries and oil consumers. Focusing on these cases is important because debates about such issues as Turkey's non-participation in the U.S.-led invasion of Iraq in 2003 raised many questions about Turkey's reliability as a U.S. security partner. This section explores Turkey's acts with her neighbors until the 1980s by examining her strategic decisions on energy and her attitudes about the 1973 OPEC oil embargo and the resulting increasing oil prices.<sup>52</sup> Before discussing the aftermath of 1973 price shock, this paper summarizes the conditions before the 1960s, then explains the political and economic arena from the Turkish foreign policy perspective, and ends with the IEA membership period.

## **B. TURKEY'S POLITICAL CONDITIONS DURING THE 1970S**

Experts argue that the dynamics of the Cold War separate Turkey and the Arab World into opposite sides. Turkey abandoned her position of neutrality and became aligned with the West. The Arab states mostly chose to align with the Soviet bloc due to their "nationalist movements anti-Jewish and anti-imperialist" attitudes.<sup>53</sup> As shown in Table 1–2, Turkey's participation in NATO opened a new term in Turkey's relations with her neighbors. This alliance against a rising Soviet threat enforced the Western defense while causing increased hostility against the Arab World.<sup>54</sup> The Baghdad Pact (Table 1–2) managed to establish containment

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<sup>52</sup> Brent Sasley, "Turkey's Energy Politics," in *Turkey in World Politics: an Emerging Multiregional Power*, ed. Barry Rubin and Kemal Kirişçi (London: Lynne Rienner Publishers, 2001), 218, 232.

<sup>53</sup> Graham E. Fuller, *The New Turkish Republic: Turkey as a Pivotal State in the Muslim World* (Washington, D.C.: United States Institute of Peace Press, 2008), 33–36.

<sup>54</sup> Ibid.

of the Soviet Union. In contrast, other Arab states whose priority was a position of hostility against Israel and the United States disagreed with Turkey. Additionally, Turkey deployed her troops to the Syrian border against rising communism in 1957, and in 1958 Turkey attempted to call for Western allies to intervene in Iraq to restore the monarchy.<sup>55</sup> (Table1–2)

The dependency on western defense, as Graham stated, decreased in the late 1960s in the aftermath of the Cuban missile crisis, and the U.S. policy toward Cyprus. Although Turkey experienced political and economical patterns that differed from her Arab neighbors during those years, the new foreign policy concerns became “new economic interests, Greece, Cyprus, and the Kurdish problem.”<sup>56</sup> There is evidence that Turkish foreign policy became transformed from “single-minded strategic commitment to the U.S.” to active policies due to doubts about “the reliability of U.S. security guarantees and the degree of U.S. sensitivity to Turkish interests.”<sup>57</sup>

In the 1970s, Turkey established close bilateral relationships with Middle Eastern suppliers as an energy bridge. Good examples of this rapprochement are Turkey’s neutrality during both the 1967 and 1973 Arab-Israel Wars and denials of the U.S. use of Turkish bases while starting to earn transport fees (up to \$1.2 billion) via the Iraqi pipeline in 1977. Doing this, Turkey obtains “economic benefits and greater international support for her foreign policy goals” in the 1970s.<sup>58</sup>

### **C. TURKEY’S ECONOMIC CONDITIONS DURING PREPARATION PHASE**

Due to Turkey’s position between oil producers and consumers, Turkey always became the first country to face economic crisis in the case of any usage

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<sup>55</sup> Graham E. Fuller, *The New Turkish Republic: Turkey as a Pivotal State in the Muslim World* (Washington, D.C.: United States Institute of Peace Press, 2008),.34.

<sup>56</sup> Ibid., 33–36. And for detailed information on political and economical conditions see Table 4.

<sup>57</sup> Ibid., 33–40.

<sup>58</sup> Ibid.

of energy as a political leverage. In the 1970s, Turkey was faced with energy security issues because of these reasons: (1) High dependency on solely oil and high oil prices brings debts to un-payable levels, (2) maintaining low stockpile levels results in sustaining the weaknesses.

The dependency on oil was so high that half of Turkey's entire energy sources were oil in the late 1970s.<sup>59</sup> According to data, augmented oil imports (from 2.9 to 11.7 million tons per year) resulted in a decrease in coal and other sources. There are two reasons for this dependency. One of them was the political inability to sustain prices at reasonable level, and second was the lack of diversification from oil. Thus, the financial expenses increased sharply, as well as the oil bill.<sup>60</sup> On the other hand, the energy consumption trend continued to escalate with a decline in interior oil production during the 1977–81.<sup>61</sup> Thus, Turkey was faced with financial turmoil because of the revenue gap between exporting and importing, since the “oil import expenditure was one-third greater than the total of Turkish export earnings”<sup>62</sup> in the period of 1973 to 1980.

Alternatively, the stockpile level in 1974, 40 days, was the same as the 1980s, even though the IEA had warned to increase them to 90 days as a precautionary measure. This is important because, being highly dependent on oil, Turkey became much more vulnerable to OPEC's pressure. However, as a lesson learned from the 1973 oil price shock, the other states such as Japan and Spain increased their stockpiles up to 100 days to strengthen their weaknesses.<sup>63</sup>

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<sup>59</sup> In 1977, oil consumption peaked at 53 percent of Turkey's energy sources.

<sup>60</sup> The oil bill's share of overall import expenditure increased from 9.3 to 49.5 percent. Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 29.

<sup>61</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 28.

<sup>62</sup> *Ibid.*, 29.

<sup>63</sup> *Ibid.*, 38.

As a result, research indicates, “Turkey was almost completely dependent on Muslim countries for her oil.”<sup>64</sup> The major suppliers during 1975–84 were Iraq, Libya, and Iran. Since transportation from Saudi Arabia was halted, Turkey had to depend on her neighbor Muslim OPEC countries by using her historical ties. The Kirkuk-Dortyol pipeline is a good example for this.

This project started with an agreement on 27 August 1973 to build a 1,000-kilometer pipeline from the Kirkuk area of northern Iraq to the Gulf of Iskenderun in the south of Turkey. According to a twenty-year agreement, approximately 35 million tons of oil would flow through this pipeline over a fixed-price of thirty-five cents for each barrel. However, the aftermath of the 1973 oil price crisis required the agreement conditions to be revised. Stable and low passage fees, Turkey’s un-payable oil bills, and Kurdish rebels in the area created new demands from the Iraqi government. Thus, Table 4 indicates that the agreement ratification process took eighteen months. This means, as shown in the Figures 3–5, once Iraqi oil flow was shuttled down via Syria in April 1976, Turkey was positioned as the only outlet to the Mediterranean, which was beneficial for Turkey as the budget gained as much as \$100 million a year through passage fees. Ironically, the same reliance came to this alternative route, since Turkey’s unpaid oil bills, which reached up to \$230 million, caused the suspension of oil flow until August 1978.<sup>65</sup> This case is similar to the Russian-Ukraine gas dispute in 2009. The subjects of the debate (interruption of 110 million cubic meters per day) were the price of gas sold to Ukraine, payment of outstanding debt and transit fees, which were the same as that between Iraq and Turkey. The Europeans responded by securing alternative routes and managing their existing stocks more carefully. The time period for interruption in both cases was the same (around 10 months).<sup>66</sup>

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<sup>64</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 33.

<sup>65</sup> Ibid., 29–40.

<sup>66</sup> International Energy Agency, “World Energy Outlook 2009,” OECD/IEA, <http://www.worldenergyoutlook.org/2009.asp>.

Turkey acutely felt the impact of the global economic slowdown that followed the Arab oil embargo. Turkey suffered from high inflation, a declining balance of payments position, reduced industrial production, and high unemployment rates.

Research shows that the debt trend started with an amount of \$145 million at the end of 1974, and continued to rise to \$1 billion at the end of 1975. In 1976, it reached \$1.8 billion in terms of short-term bank loans. Turkey introduced austerity measures to pay her debts, and reduce inflation through a restrictive monetary policy.<sup>67</sup> As a result, Turkey as an energy bridge became a waterless fountain in 1979, mainly because of severe financing problems, refusals by other OPEC countries (such as Saudi Arabia, Kuwait, and the United Arab Republic) to provide Turkey with credits for oil imports, and the inability to meet requirements of trade agreements with Iran, Iraq, and Libya.<sup>68</sup>

#### **D. TURKEY'S IEA MEMBERSHIP PROCESS**

Although consumer states declared various internal and external solutions to overcome the second order effects of the oil price shock, none of them used the energy as a *causis belli* to resort to the use of force. While both Germany and France signed bilateral natural-gas pipeline deals with the Soviet Union, France and Japan expanded their usage of nuclear power, and put more taxes on gasoline consumption.<sup>69</sup> As a reaction to the 1973 oil embargo, an idea to create a counterpart of OPEC to regulate buyers' rights emerged in 1974 in the U.S. This cartel of oil consumer states was formed to prepare for a future embargo by OPEC. The basic definition of this newly established international

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<sup>67</sup> Lucille W. Pevsner, *The Washington Papers: Turkey's Political Crisis* (New York: Praeger Publishers, 1984), 78.

<sup>68</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 44.

<sup>69</sup> James A. Russell and Daniel Moran, ed., *Energy Security and Global Politics: The Militarization of Resource Management* (London: Taylor & Francis, 2008), <http://lib.myilibrary.com/Browse/open.asp?ID=170695&loc=114>(accessed May 18, 2010).

organization is that IEA<sup>70</sup> is “an economic NATO,” and it aims to “strengthen the position of the international oil companies, which was greatly diminished following OPEC’s unilateral moves.”<sup>71</sup> At this point, it is worth mentioning how important Turkey’s membership into this newly established organization was for both sides.<sup>72</sup>

Even though Turkey participated in the OIC since the late 1960s, it was easier than Turkey’s participation in the Western trade bloc, IEA. Due to the wide impact on the sellers’ side, a strong opposition against IEA membership was created during the process.<sup>73</sup> Arab countries were irritated and originated wide public discussions, while their diplomats in the embassies expressed their displeasure toward the agency by increasing foreign pressure against Turkey, including Iraq’s compelling demands on Turkey’s unpaid bills in that era. Despite these problems, Turkey nonetheless joined the IEA. The decisive factor is the foreign office, because the decision for leading Turkey into the IEA was made during the transition period between two cabinets, Ecevit and Sadi Irmak.<sup>74</sup> Similarly, Turkey had already lost the special prices for Iraqi oil in 1974 and revenues from the fixed-price transit fee were not sufficient to reject the offer. Some domestic objections were made on the basis of preventing any kind of

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<sup>70</sup> The current goals of 26-member IEA are: to maintain and improve systems for coping with oil supply disruptions; to promote rational energy policies in a global context through cooperative relations with non-member countries, industry and international organizations; to operate a permanent information system on the international oil market; to improve the world’s energy supply-and-demand structure by developing alternative energy sources and increasing the efficiency of energy use; and to assist in the integration of environmental and energy policies. James A. Russell and Daniel Moran, ed., *Energy Security and Global Politics: The Militarization of Resource Management* (London: Taylor & Francis, 2008), <http://lib.myilibrary.com/Browse/open.asp?ID=170695&loc=114> (accessed May 18, 2010).

<sup>71</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 47.

<sup>72</sup> Ibid., 46.

<sup>73</sup> Other International Organizations in which Turkey has participated can be gathered: Central Intelligence Agency, “The World Factbook,” CIA Official Web site, <https://www.cia.gov/library/publications/the-world-factbook/geos/tu.html>.

<sup>74</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 46.

escalations in the energy market, since the U.S. Secretary of State's statement toward possible use of force against the sellers in 1975.

Although early efforts to establish membership were faced with hostile oil producers' objections during 1977–78, the ratification for participation into IEA was made in 1981.<sup>75</sup> Thus, the 1970s can be identified as highly dependent on Muslim oil producers' supplies. Moreover, although this was dangerous for the country in terms of energy security, Turkey had no alternative to diversify both oil and suppliers, such as a sufficient level of natural gas demand and Russia as a supplier in the 1990s. In this regard, IEA did not either protect or harm Turkey's energy security posture.<sup>76</sup>

"Until 1973 energy and especially oil is not the biggest concern to establish Ankara's foreign relations, but energy crisis in 1973 shifts this reality."<sup>77</sup>

Nevertheless, Turkey's oil supply during 1970–80 resulted in financial turmoil and increased her vulnerability to oil producers' political demands due to oil bills, which reached at an un-payable level. Additionally, Turkey's participation in IEA had no essential effects on Turkey's interests, as the organization would in the near future (after the 1990s). On the contrary, Turkey earns her greatest profits from pipelines by linking the transit fees with the price of oil instead of the fixed-transport fees during the 1980–88 period of time.

## **E. CHAPTER SUMMARY**

In summary, this chapter concludes that Turkey's energy security concerns (efforts to be IEA member and have good relations with OPEC, and the unbearable debt crisis during the 1973 oil price crisis) were shaped based on domestic economic and political conditions during the 1970s. The evidence proves that Turkey encountered indirectly the usage of energy as a weapon in

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<sup>75</sup> Alon Liel, *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001) 48–50.

<sup>76</sup> Ibid., 50.

<sup>77</sup> Ibid., 183–186.

the event of the 1973 oil price shock. Turkey's behavior toward cooperation with blocs was based the evolution of policies that showed a recognition of Turkey's vulnerability to energy market forces. The end of this preparation phase initiated diversification efforts of energy to build better energy security in the next decade. However, the war between her neighbor producers in the beginning of this decade did give sufficient transition time to focus on energy security. The next chapter looks at the Iran-Iraq War (1980–88) to determine what lessons can be applied from this war to Turkey's energy outlook until the 1990s.

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## **IV. 1980–88 IRAN-IRAQ WAR AND EFFECTS**

### **A. INTRODUCTION:**

Turkey has encountered three cases of energy-related security challenges: (1) Turkey's relations with both neighbor oil producers (OPEC) and consumers (IEA) initiated in the early 1960s, (2) the 1973 oil price shock, and (3) the Tanker Wars (1980–88). The first two energy issues discussed in the previous chapter show that Turkey managed to reach good energy deals with her entire neighborhood under severe and fluctuating political and economic conditions. Ongoing domestic energy needs and the financial gap within the budget because of the high oil price increase made Turkey vulnerable in the early 1980s. Successful policies built a timely and strong energy bridge between two blocs, OPEC and the IEA. This chapter seeks to determine whether the Iran-Iraq war of 1980–88 provides historical evidence to prove that energy has been used as a political and economic lever against Turkey

This chapter analyzes the Tanker Wars (1980–88) to determine the role that energy security issues played in Turkey's relations with her neighbors. This chapter shows that although the Tanker Wars had the harmful effect of decreasing Turkey's transportation at sea, there were benefits as well: a positive impact on land transportation and an increase in the volume of the transfer fee via the pipelines. This section demonstrates how Turkey stayed out of the Tanker War on her borders. Focusing on this case, and specifically the attitudes of Turkey and her neighbors during the war, can provide essential insights for future energy debates. For example, there are more similarities than differences in Turkey's neutrality situation during some regional conflicts in the 1980s and after 2000. Before discussing the effects of this conflict, this paper summarizes the major issues related to the war chronologically until the 1990s, and then explains the rationale for Turkey's nonparticipation in this war.

## B. CHRONOLOGY

World oil transit chokepoints are a critical part of global energy security. In 2007, global seaborne oil trade was approximately 43 million barrels per day or about half of world oil production.<sup>78</sup>

Table 4. Chronological Events during Iran-Iraq War (Centered on energy).<sup>79</sup>

8 Mar 1980	Iran withdraws her ambassador from Iraq
Sep 1980	Iraq abrogates the 1975 Algiers Agreement and declares it will exercise full sovereignty over the Shatt al-Arab. Iran and Iraq attack each other's oil facilities with the Iranian artillery bombardment on Khonqin and Mandali, and the Iraqi movement toward Khoramshahr and Abadan
Oct 1980 Nov 1981 Jun 1982 Jun 1983	Iraq seeks ceasefires; rejected by Iran
10 Apr 1982	Syria closes her oil pipeline to Iraqi oil
12 Jun 1982 25 Feb 1986	UN resolution calls for a ceasefire
2 Nov 1983	Iraq warns merchant vessels to avoid the 'war zone' at the northern end of the Gulf
23 Jan 1984	Alleging Iranian involvement in Marine base bombing in Lebanon, the U.S. State Department adds Iran to the list of nations supporting terrorism, and thus subject to stringent export controls. <sup>80</sup>
Feb 1984	The Tanker Wars begin

<sup>78</sup> U.S. Energy Information Administration, "World Oil Transit Chokepoints," Background, [http://www.eia.doe.gov/cabs/World\\_Oil\\_Transit\\_Chokepoints/Background.html](http://www.eia.doe.gov/cabs/World_Oil_Transit_Chokepoints/Background.html).

<sup>79</sup> Efraim Karsh, *Essential Histories The Iran-Iraq War 1980–1988* (New York: Osprey Publishing, 2002), 9–11, and Mideast Web, "The Iraq Crisis-Timeline Chronology of Modern Iraqi History," <http://www.Mideastweb.org/iraqtimeline.htm>, and The Robert S. Strauss Center, "Strait of Hormuz: Military Attacks on Oil Tankers," The University of Texas at Austin, [http://hormuz.robertstrausscenter.org/tanker\\_war](http://hormuz.robertstrausscenter.org/tanker_war), and Katzman Kenneth, "Iran's Activities and Influence in Iraq," [http://assets.opencrs.com/rpts/RS22323\\_20090604.pdf](http://assets.opencrs.com/rpts/RS22323_20090604.pdf).

<sup>80</sup> U.S. Government Printing Office, "Energy and The Iranian Economy" (hearing before the joint economic committee congress of the United States, One hundred ninth congress, second session, July 25, 2006).

Feb 1984	Iran captures Iraq's oil-rich Majnun Islands. Iraq turns to attacking the Kharg Island oil terminal and Iranian ships in the Gulf, using French-purchased Exocet missiles. Iran retaliates with strikes on Saudi and Kuwaiti ships
12 Aug 1986	Successful long-range air raid on Iran's oil terminal on Sirri Island
26 Nov 1986	Air raid on Iran's Larak island oil terminal
23 Mar 1987	U.S. offers to protect Kuwaiti tankers in the Gulf
6 Apr 1987	Kuwait suggests re-registration of some tankers to U.S. ownership for protection, and seeks the transfer of others to Soviet registry
14 Apr 1987	USSR announces it will lease three tankers to Kuwait, so as to reduce Iranian attacks on Kuwaiti shipping
15 Apr 1987	Iran warns Kuwait against leasing tankers to outside powers
6 May 1987	U.S. agrees in principle to re-register 11 Kuwaiti tankers under the U.S. flag
21 May 1987	USS Stark attacked in Gulf by two Iraqi Exocet missiles, killing 37
22 Jul 1987	U.S. Navy starts convoying Kuwaiti tankers flying U.S. flag
4 Sep 1987	Iran fires missile at Kuwait; Kuwait expels 15 Iranian diplomats
22 Sep 1987	U.S. ship attacks and captures Iranian mine-laying vessel with mines on board
8–22 Oct 1987	U.S. sinks three Iranian patrol boats in the Gulf; Iran fires missiles at unprotected U.S.-owned tankers; U.S. destroys unused Iranian oil platform; Iraq attacks Kuwaiti oil terminal with Silkworm sea-to-sea missile
26 Oct 1987	President Reagan invokes section 505 of the International Security and Development Cooperation Act of 1985 and embargoes all imports from Iran, prohibits export of 14 types of potentially militarily useful goods, including inboard and outboard motors, mobile communications equipment, electrical generators, hydrofoil vessels. <sup>81</sup>
14–15 Jan 1988	Iran attacks three tankers in two days
18 Apr 1988	U.S. blows up two Iranian oilrigs, destroys an Iranian frigate and immobilizes another. American warships sink six Iranian vessels
3 Jul 1988	USS Vincennes shoots down Iranian airliner in the Gulf mistakenly
20 Aug 1988	Ceasefire begins

From 1980 until 1988, oil shipments through the Persian Gulf were targeted by both Iraq and Iran. UN resolutions could not stop the conflict. When other states, such as Kuwait, unwillingly participated in the war, the U.S. joined

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<sup>81</sup> U.S. Government Printing Office, "Energy and The Iranian Economy" (hearing before the joint economic committee congress of the United States, One hundred ninth congress, second session, July 25, 2006).

the debate to prevent Soviet expansion.<sup>82</sup> Research on this subject is mostly based on Gulf Security and U.S.-led initiatives<sup>83</sup>; however, this thesis seeks to answer, “What are the effects of oil transportation during this war?” Thus, are there any opportunities or challenges for Turkey over “free flow of oil” phenomena? (Table 1–2)

### **C. EFFECTS TO THE INTERNATIONAL ENERGY MARKET**

During the Iran-Iraq war, each side targeted the other’s oil exports, which, in turn, led to international involvement in the conflict. Although, the civilian deaths in the Iranian airbus incident and the bombing of civilian population centers<sup>84</sup> had insightful psychological effects,<sup>85</sup> the blockage of consignments to international recipients and increased insurance costs in 1986–87 played an essential role in ending the war. By comparing the number of tanker ship losses in 1984 (15), 1986 (21) and 1987 (7), we may argue that the conflict continued until the involvement of the U.S. by the reflagging of Kuwaiti vessels in 1987.<sup>86</sup> Although Reagan’s administration emphasized the free flow of oil as a vital American interest, the rejection of arms sales to Saudi Arabia demonstrates the limits of defending Gulf Cooperation Council (GCC) countries against a common foe.

Research also shows that eight out of the 411 victim-ships (Tankers: Atlas I, Burak M., Buyuk Hun, M. Ceyhan, M. Vatan; Bulk carrier: Mar Transporter, Hira III; General dry cargo: Sema G.) belonged to Turkey. Iraqi oil export via land

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<sup>82</sup> U.S. policies toward Iran may be found in Kenneth Katzman’s “Iran: U.S. Concerns and Policy Responses,” Congressional Research Service, [http://assets.opencrs.com/rpts/RL32048\\_20100106.pdf](http://assets.opencrs.com/rpts/RL32048_20100106.pdf).

<sup>83</sup> Patrick Knapp, “The Gulf States in the Shadow of Iran,” *Middle East Quarterly Winter*, no.1 (2010).

<sup>84</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980–1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 124.

<sup>85</sup> *Ibid.*, 183.

<sup>86</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980–1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 185.

through Turkey and Saudi Arabia during the war continued, although there were several incidents by Kurdish groups and the reaction of Iraqi forces against them.<sup>87</sup>

In March 1987 the United States informed the Kuwaiti government of her willingness to escort Kuwait's 11 tankers through the Gulf, provided they would fly the U.S. flag, and a month later Kuwait chartered three tankers from the USSR which were put under the Soviet flag. By the end of 1987 Iran was confronted with a formidable multinational armada of nearly 50 warships.<sup>88</sup>

When Iraq declared the northern Gulf (north of 29.03N) a restricted zone for all ships that use Iranian ports, the tankers were targeted by Iraqi air forces (F-1 Mirage, MIG-23) with Exocet anti-ship cruise missiles. Additionally, the introduction of the Super-Etendard increased their range. Iran could not retaliate during 1984–86 due to her ineffective air-to-surface missiles which caused little physical damage to ships. However, in 1987, Iran deployed Chinese Silkworm anti-ship missiles. This important event warned Kuwait to desire outside power for protection.<sup>89</sup>

The U.S. got involved in the conflict in 1987 by reflagging Kuwaiti vessels and taking them under her naval protection, an action that has been named Operation Earnest Will. (Table 4–5) Those 11 Kuwaiti tankers were protected against Soviet expansionism in the region. Iraq became an ally after mistakenly hitting a U.S. naval unit. Thereafter, Iranian oil tankers and naval units became targets due to Iran's confrontation toward all ships in the Gulf, while Iraq was targeting only the Iranian side of Gulf.<sup>90</sup>

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<sup>87</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 205–214.

<sup>88</sup> Efraim Karsh, *Essential Histories The Iran-Iraq War 1980-1988* (New York: Osprey Publishing, 2002), 51.

<sup>89</sup> The Robert S. Strauss Center, "Strait of Hormuz: Military Attacks on Oil Tankers," The University of Texas at Austin, [http://hormuz.robertstrausscenter.org/tanker\\_war](http://hormuz.robertstrausscenter.org/tanker_war).

<sup>90</sup> Stephen A. Kelley, "Better lucky than good: operation earnest will as gunboat diplomacy" (Thesis, Naval Postgraduate School, 2007), [http://edocs.nps.edu/npspubs/scholarly/theses/2007/Jun/07Jun\\_Kelley.pdf](http://edocs.nps.edu/npspubs/scholarly/theses/2007/Jun/07Jun_Kelley.pdf).

Year	Months	Convoys	Merchant Ships
1987	Jul to Sep	10	24
	Oct to Dec	12	35
1988	Jan to Mar	20	44
	Apr to Jun	23	48
	Jul to Aug	18	30
	Sep to Dec	44	78

Table 5. Operation 'Earnest Will' and U.S. involvement into Iran-Iraq War. <sup>91</sup>

The most important findings related to the war are that half of all the attacks were made with anti-ship cruise missiles, and the Iraqi missile on-target percentage is 80 percent. Sixty-one percent of the victim-ships were tankers and only 55 of 239 oil tankers were sunk. This means that oil tankers were actually less vulnerable than bulk carriers (39 percent) and freighters (34 percent). Tanker War caused a 25 percent decrease in business transport and a quick growth in the price of crude oil and did not notably interrupt oil shipments. Moreover, Strait of Hormuz has never been closed completely by Iran due to her export revenue depending on sea-transportation.<sup>92</sup>

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<sup>91</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 146.

<sup>92</sup> The Robert S. Strauss Center, "Strait of Hormuz: Military Attacks on Oil Tankers," The University of Texas at Austin, [http://hormuz.robertstrausscenter.org/tanker\\_war](http://hormuz.robertstrausscenter.org/tanker_war).

#### D. RATIONALE FOR TURKEY'S NEUTRALITY DURING IRAN-IRAQ WAR

"According to Kemalist principles of neutrality, Turkey remained neutral throughout the entire Iran-Iraq war and pointedly refused to support the trade embargo the United States imposed on Tehran after the hostage crisis."<sup>93</sup>

At this point, Turkey was faced with a war between her two neighbors and she had to adopt "a position of strict neutrality, becoming involved only in such humanitarian ventures as sponsoring an exchange of prisoners of war (1983) and an exchange of diplomats (1984)."<sup>94</sup>

From the economical perspective, because of the detention of Iranian ports and hindered bilateral trade relations, the largest portion of Iranian foreign trade, with the exception of oil, was made via Turkey. For example, in February of 1983, two states had an agreement about opening borders for 24 hours instead of eight daily working hours. Additionally, volume of the vehicle traffic had increased from 600 to 1,200, and profits from the Trabzon and Iskenderun ports in Turkey increased.<sup>95</sup>

Alternatively, one of the problems during the war years was insecurity for Turkish vessels' passage throughout the Gulf and land transportation of oil via the Kirkuk-Ceyhan pipeline from Iraq.<sup>96</sup>

During the Tanker War, 411 vessels were attacked and only 239 oil tankers were hit. Ironically, the first victim was Atlas I, a Turkish oil tanker at Kharg Island that was hit by Iraqi forces.<sup>97</sup> Iranians used "heavy caliber machine-

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<sup>93</sup> Graham E. Fuller, *The New Turkish Republic: Turkey as a Pivotal State in the Muslim World* (Washington, D.C.: United States Institute of Peace Press, 2008), 40.

<sup>94</sup> Alon Liel, *Turkey in the Middle East Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 172.

<sup>95</sup> Ibid.

<sup>96</sup> Ibid.

<sup>97</sup> The Robert S. Strauss Center, "Strait of Hormuz: Military Attacks on Oil Tankers," The University of Texas at Austin, <http://hormuz.robertstrausscenter.org/security>.

guns rockets, and missiles designed to attack aircraft or land-based armored vehicles,” and thus, the attacks caused “little to no damage to tankers.”<sup>98</sup>

Research shows that the Iran-Iraq War was not the first war in which merchant ships were trapped in a battle zone. The Six Day War in 1967 is an example. Until the Yom Kippur War and the opening of the Suez Canal, ships were stuck in the Gulf and were declared to be total losses. However, owners of the vessels could not react early to decide whether they should send their ships into Gulf, since they did not know when the war would be initiated. For example, eighty-three merchant ships trapped in the battle zones had a diverse ownership, (India, China, UK, Japan, Cyprus, Greek, Panama, USSR, Honduras, Kuwait, Yugoslavia, Indonesia, Singapore, Cuba, Philippines, Italy, Libya, Romania, and Maldives) and none of them attempted to participate in the war. The incentive for third parties to enter the war was not strong internationally, even though a Turkish oil tanker was the first victim of the Tanker War.<sup>99</sup>

If we compare the numbers of the major outsider merchant vessels and the numbers of the regional Gulf States’ vessels, we may argue that although the former is steady, there is an important increase in the latter just before the war. Research proves this by showing stability in foreign states (approximately: France 1,300, Greece 3,000, India 500, South Korea 1,000, Japan 9,900, Liberia 2,500, Norway 2,600, Panama 2,700, Singapore 800, Turkey 425, UK 3,300, and USA 4,800) and doubled-increase for Gulf States (Bahrain 15 to 37, Iran 135 to 208, Iraq 56 to 123, Kuwait 172 to 270, Qatar 6 to 33, Saudi Arabia 55 to 172, UAE 60 to 111).<sup>100</sup> In this regard, although during the war Turkey lost eight out of 475 vessels, This 1.705 percentage could be taken as a threshold value for Turkey to be neutral during a future conflict by sea.

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<sup>98</sup> The Robert S. Strauss Center, “Strait of Hormuz: Military Attacks on Oil Tankers,” The University of Texas at Austin, <http://hormuz.robertstrausscenter.org/security>.

<sup>99</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 33–34.

<sup>100</sup> Ibid., 13–15.

Another factor was the sharp increase in the insurance rates for the war zone. Research shows that, while according to the UN, the economic embargo was strongly effective, the ships traveling toward Iraq, Kuwait and the neutral zone of Saudi Arabia were taxed based on both hull and cargo risks. Contrary to this, taxation on sailing above 29.45 toward Iran rose to 1 percent and cargo risk is not covered, while one tax for sailing toward the Saudi Gulf coast also rose to 1 percent, but cargo risk is held covered. Additionally, the other increases on taxes for other destinations (cargo risks for excluded Iranian ports 0.05, for Red Sea destinations 0.0275) show us that there is a speculation in the numbers just because of the initial effects of the war. Research also shows that after overcoming this shock, the taxes are reduced. For example, for Saudi ports, the new rate is established at 0.75 after 12 days.<sup>101</sup>

Another side of the war is migration. Many opposition Iranians against Khomeini regime were settled in Turkey. Some of them were loyal to the shah and, therefore, they emigrate to the United States and Europe via Turkey. Some of them tried to overthrow the clerical regime. In this case, Turkey regulated these attempts by sentencing or banishing them. Most importantly, the number of the emigrants in the camps increased to 1,000,000, and this brings economic hardships.<sup>102</sup>

The Kurdish issue is also a problem created by war. Iran pumps up the Kurdish groups against the Iraqi government so that she is expected to not only weaken Saddam's military, but also decrease the oil revenues. The Kurdish rebellion resulted in attacks on the Kerkuk-Ceyhan pipeline. One can easily understand Iraqi Kurds' attitudes by looking at the scene of armed Kurds tearing Saddam's posters, and Mesut Barzani's statement on the significance of this operation being its closeness to the city center and to the international highway,

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<sup>101</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 198.

<sup>102</sup> Alon Liel, *Turkey in the Middle East Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 173.

which is very important for Iraqis. And, beyond that, they have the oil pipeline that carries Iraqi oils to Europe.<sup>103</sup> Iraqi generals reply these threats by using multiple rocket launchers as they have successes in the south. However, “Turkey and Iran agreed to announce simultaneously that neither country would allow her territory to be used as a basis for insurgency against the others.” The Iranian’s attempts to expand their regime toward Turkey, however, were not regarded as insurgent.<sup>104</sup>

Ankara was the prime beneficiary of the war because both warring states developed a high degree of economic dependency upon Turkey during the conflict; Turkey was one of their few outlets to the west and a source of local goods. In fact Turkish trade with Iraq increased by a factor of seven during the war, topping off at some \$961 million or 12 percent of all Turkish exports.<sup>105</sup>

As a result, during the Iran-Iraq War, several lessons were learned. First, both Iran and Iraq attacked 411 victim-ships by their land, sea, air forces and mines within the Gulf. Although many vessels were hit several times, sharp increases in insurance rates did not bring the sea transportation to a halt. Moreover, the 23 percent of victim-tankers were sunk or badly damaged, and this shows that they are less vulnerable than bulk carriers (39%) and others (33%). The weaponry is the most important part of the war, since most of the victim-ships were hit by Exocet, mines and Silkworms. Although the Iranian National Transportation Company underwent a big loss after the war, this was beneficial for the transportation market internationally, due to rise in demand.<sup>106</sup>

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<sup>103</sup> Google videos, “Iran-Iraq War,” <http://video.google.com/videoplay?docid=-8979584909588245820#>.

<sup>104</sup> Alon Liel, *Turkey in the Middle East Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 173.

<sup>105</sup> Graham E. Fuller, *The New Turkish Republic: Turkey as a Pivotal State in the Muslim World* (Washington, D.C.: United States Institute of Peace Press, 2008), 40.

<sup>106</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 183–185.

Another important outcome is that “by 1988 UAE ports such as Dubai had become the major transshipment center of Iran, and they maintained this status afterwards.” In addition, primary oil exportation is shifted from sea-lanes to land-based pipelines. Moreover, the war shows us the weaknesses of the ships in the danger zone, and thus, this led us to technical research and development in the navy for civilian usage. For example, “the need for electro-optical sensors to detect aircraft, small craft and floating mines directed the U.S. Navy toward sonar modification under the ‘Kingfisher’ program to detect floating mines and the “Naval Mast Mounted Sight was developed from a helicopter system for temporary assignment to frigates deployed in the Gulf.” And, last but not least, “the free flow of oil remains an important Western security interest, and if this is threatened, intervention is likely.”<sup>107</sup>

#### **E. TURKEY’S ECONOMIC CONCERNS DURING 1980S**

Research shows that there were two major economic issues during 1980s: (1) continuation in the Turkey’s external debt (although this chapter’s main argument is that Tanker Wars is beneficial for the Turkey’s energy structure and future economic profits), and (2) the DECA agreement between Turkey and the United States at the beginning of the decade just before the war. While the previous one can be explained as an impact of exchange rates between the U.S. dollar and the euro, the latter consists of bilateral U.S. economic and military aid to Turkey.<sup>108</sup>

The establishment of the DECA agreement between Turkey and the U.S. was essential for Turkey’s economy during the war, providing economic and military aid to Turkey. The characteristics are: (a) five-year agreement renewable annually, (b) bilateral implementation of NATO, and (c) it is an

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<sup>107</sup> Martin S. Navias and E. R. Hooton, *Tanker Wars: The Assault on Merchant Shipping During the Iran-Iraq Crisis 1980-1988* (New York: Tauris Academic Studies I.B. Tauris Publishers, 1996), 185–188.

<sup>108</sup> International Bank for Reconstruction and Development, *Turkey: A Strategy for Managing Debt, Borrowings, and Transfers under Macroeconomic Adjustment* (The World Bank Country Study, 1990), xxiv, and 56.

administrative agreement by not consisting of precise aids. U.S. loans of approximately \$452 million were made to Turkey for representing the American response to the manifest needs of the NATO ally and friend in fiscal year 1981, such as other aids to 16 OECD nations of \$1.16 billion.<sup>109</sup>

“Over the period 1982–88, about \$9 billion of the increase in Turkey’s external debt can be attributed to changes in cross-currency exchange rates.”<sup>110</sup>

On the contrary, Turkey’s internal debt level was steadily 3–8 percent of GNP, until the public sale of Turkey’s treasury bills in 1985; then it stayed as high as 8 percent of GNP. Unchanged debt gaps and declines in foreign investment caused the augmented dependency on domestic sources. As a circle, lack of foreign money flows to internal sectors initiated amplified domestic debt. To resource this debt, the country lends more money from other sources, and thus, fiscal deficits for other resources also increase. The outcome of this circle is enlarged debt, since there is no difference between external and internal interest rates. Before the end of the war, Turkey’s portfolio of liabilities is not mainly dependent on U.S. dollar currency (68% on non-U.S. dollar currencies), and after 1988, Turkey mainly lends money based on Eurodollar market because of high U.S. interest rates.<sup>111</sup>

These two economic concerns during the war guided Turkey’s behavior toward her neighbors. While the DECA strengthens Turkey’s fiscal position by providing U.S. loans as military and economic assets, the inevitable and unsolvable debt circle based on fiscal deficits domestically, combined with the currency exchange rates by shifting mainly non-U.S. dollar portfolio to the

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<sup>109</sup> U.S. Government Printing Office, “United States – Turkey Defense and Economic Cooperation Agreement 1980” (Hearing before the Subcommittee on Europe and the Middle East and Committee on Foreign Affairs House of Representatives at the Ninety-sixth Congress, Second Session, May 7, 1980), 4–6.

<sup>110</sup> International Bank for Reconstruction and Development, *Turkey: A Strategy for Managing Debt, Borrowings, and Transfers under Macroeconomic Adjustment* (The World Bank Country Study, 1990), xxi.

<sup>111</sup> International Bank for Reconstruction and Development, *Turkey: A Strategy for Managing Debt, Borrowings, and Transfers under Macroeconomic Adjustment* (The World Bank Country Study, 1990), 56.

Eurodollar market. Even though Turkey has lived her “golden age for pipeline, which is defined as Turkey’s black gold belt” in terms of Kirkuk-Ceyhan pipeline, Turkey has passed through a healing process for her early aforementioned fiscal deficits in the 1970s. Thus, it is beneficial for Turkey to earn high profits during the war. It is also true to say that it had a minor effect on the real economy due to the monetary gap and other loans.<sup>112</sup>

## **F. CONCLUSION**

The Iran-Iraq War during 1980–88 is an excellent case study to understand the behaviors of the states during the conflict in the sense of energy security. These two neighbors tried to capture each other’s essential oil fields and infrastructures from the beginning to the end of the war. While Iraq seemed to be successful in the beginning, the aforementioned chronology proves that Iran actually had the advantage, according to four peace attempts by Iraq and rejections by Iran.

Since energy security is the primary concern for both sides, the Iranians’ two key attempts were very effective. One of them was closing the Syrian pipeline. Secondly, Kurdish rebellions in the north cut oil revenue coming in via Turkey to Iraq. However, the Iraqi administration in that era was successful also in establishing a blockage through Exocet missiles against Iranian tankers. This thesis argues that this is the turning point for the war, since Iranian attacks affected all states and provided an insecure environment to threatened third parties’ interests.

At this point, Turkey had continued her relations with both her neighbors without involving in the conflict. However, Turkey has deficits on revenues

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<sup>112</sup> Beneficial sides: Sea transportation takes 45 days, while land transportation takes only two days. Turkey is the only outlet to the West for Iraqi oil makes the passage fee high. Moreover, the flow capacity is increased from 35 to 50 million bpd by building extra parallel pipeline in 1984; thus revenue rise up to \$350 million per year. Furthermore, invasion of Kuwait a couple with economic sanctions to Iraq due to U.S. demands and closing the pipeline result in the loss of aforementioned passage fee. Liel, Alon *Turkey in the Middle East: Oil, Islam, and Politics* (London: Lynne Rienner Publishers, 2001), 40.

coming from both land and sea transportation. The aforementioned tipping point for Turkey to enter a conflict over a naval dispute is 1.7 percent. Additionally, the incentive for third parties to intervene is not so strong, according to evidence gathered from Yom Kippur and Tanker War. The war also caused a diminishing faith for the Gulf States' merchant fleets, because there was an increase in the number of the Gulf vessels before the war, and the war stopped this progress.

These two neighbors also caused a weakness for another neighbor, which is Kuwait, but the U.S., with her second-largest merchant fleet, reflagged Kuwait's vessels and this shifted the course of the war. Sharing Kuwaiti ships between the U.S. and the USSR appeared to be the key point to deter Iran and Iraq military engagement. Thus, it seems that the effort to control the oil outcome for only the Gulf States was also obstructed by other countries.

## V. CONCLUSION

Turkey is a country that has the most important role as an energy hub to balance demand and supply sides through a reliable energy bridge. However, reliability is derived from “high trust,” and trust is coming from the Turkish historical neutrality and her strong posture. Issues related to energy security, are primary concerns for reliable and affordable energy sources. Turkey, positioned between consumers and suppliers, is most affected by the transportation phase of energy security. Recent attempts toward themilitarization of energy resources, have also provided more insights for Turkey. Does Turkey have experience with this issue? In the near future, what are the main concerns about Turkey's energy security structure, and what challenges are we confronting?

By analyzing the Turkish experience from the 1940s to 1980s, with the usage of energy as a political tool, this thesis identified four major findings: (1) the non-conflict zone or preparation phase (1940–90), and conflict zone (after 1980), are two distinct periods related to Turkey's treatment of energy security; (2) Turkey managed to establish good relations with both consumers and suppliers during the preparation phase; (3) the 1973 oil price shock, and Turkey's domestic economic conditions, guided and shaped her policies during the 1980s; and (4) during the Iran-Iraq War (1980–1988), Turkey managed to protect her neutrality, while her naval assets were affected negatively, whichbenefitted her land transportation and pipelines.

During the 1960s and 1980s, the preparation phase sought to balance both buyers and sellers, and provided a fundamental readiness for the future. The non-conflict zone included the establishment of two memberships (OPEC via OIC and IEA), one usage of oil price as leverage (1973 oil price shock), and the targeting of energy assets during tanker wars (1980–88 Iran-Iraq War). Three general lessons emerged from these cases: (1) Turkey managed to balance the energy market by pursuing successful compromise policies; (2) domestic needs

provided an essential role in forming these policies, instead of transit fees and international concerns; and (3) although tanker wars harmed Turkey's naval transportation, they were beneficial to Turkey's land-transportation, because they were the only outlet for both neighboring producer countries.

Prior to the 1980s, Turkey attempted to balance her western-oriented political agenda with her eastern-oriented economic necessities. Politically, in contrast to her Arab neighbors, Turkey actively supported and sought alliance with the Western powers, resulting membership into NATO, and eventually in the IEA. Economically, Turkey's almost complete dependence on Arab oil forced the pursuit of an economic policy that was at odds with her political agenda. The internal economic conditions, such as a high level of dependence on oil as energy assets, combined with unaffordable levels of debt and low levels of strategic energy reserves, forced Turkey to pursue close relations with oil-producing countries. The seemingly incompatible policies forced Turkey to balance between the two blocs, maintaining a difficult neutrality throughout the political, economic, and military crises of the period.

Despite neutrality, Turkey saw militarization of energy indirectly during the Iran-Iraq War. Loss of naval assets and threats to her energy posture prompted diversification efforts in order to build better energy security in the next decade. The increased transit fee on oil imported from Iraq and goods from Iran were a few of the benefits of the war. As a result, Turkey overcame her debt crisis and became the sole means of energy export for Iran and Iraq. Based on her neutrality and Iranian and Iraqi dependence, Turkey was able to maintain the balance between her economic needs and her political agenda from a position of greater strength.

In summation, post-World War II Turkey has pursued a political agenda that has aligned with the West, both militarily and politically. Economically, however, Turkey is closely tied to, and in some cases, dependent on non-Western regional states. Turkey has balanced two blocs through sustaining her neutrality in the face of political and economic crisis.

The results of the analysis presented here assisted decision makers in assessing future prospects for energy security and finding solutions to tackle the many challenges they will face..

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